

PERFECT SURGICAL TECHNIQUES, INC. v. OLYMPUS AMERICA, INC., Appeal No. 2015-2043 (Fed. Cir. November 15, 2016). Before Moore, Schall, and O'Malley. Appealed from the Patent Trial and Appeal Board.

Background:

The PTAB held that Perfect Surgical's '384 patent was invalid over prior art reference JP '551 in an inter-partes review proceeding. JP '551 was prior art as of its publication date of February 10, 1998, and the inventor of the '384 patent, Dr. Nezhat, had filed the '384 patent application on May 1, 1998. Perfect Surgical tried to disqualify JP '551 as prior art by establishing prior conception and diligence in reducing the invention to practice.

To establish diligence, Perfect Surgical presented the following timeline for the preparation and filing of the '384 patent application: Dr. Nezhat's patent attorney, Mr. Heslin, sent Dr. Nezhat a first draft of the application on January 28, 1998; Dr. Nezhat sent comments on the first draft to Mr. Heslin on March 2; Mr. Heslin sent Dr. Nezhat questions about the comments on or around March 4 and 12; Dr. Nezhat and Mr. Heslin had a teleconference on March 16 about revising the first draft; Mr. Heslin revised the first draft of the application on April 7; Mr. Heslin sent a second draft of the application to Dr. Nezhat on April 13; and Mr. Heslin finalized and filed the application on May 1.

The PTAB held that the gaps in the timeline between: (1) February 10 and March 1; (2) March 12 and March 15; and (3) April 13 and May 1 during the critical period (between the JP '551 filing date and the '384 patent filing date) showed a lack of continuous exercise of reasonable diligence, and held that JP '551 was valid prior art.

Issues/Holdings:

Did the PTAB err in holding Dr. Nezhat failed to show diligence in reduction to practice? Yes, vacated and remanded.

Discussion:

The Federal Circuit held that the PTAB had applied too strict of a standard for reasonable diligence. Specifically, the PTAB should have applied a standard of "reasonable continuity" of diligence rather than absolute continuity of diligence. The Federal Circuit emphasized that the purpose of the diligence analysis is to confirm that the reduction to practice was not abandoned or unreasonably delayed. The Federal Circuit also noted that the PTAB had failed to consider Mr. Heslin's activities in preparing the '384 patent application, and that his activities should be imputed to the inventor. Concerning the three periods of inactivity highlighted by the PTAB, the Federal Circuit first pointed out that the second period was a three day period including a weekend, and on its face could not show a lack of diligence. The Federal Circuit found that the PTAB had not made a fact finding that either of the other two periods was sufficient to establish a lack of diligence, and remanded for a determination on that issue.

In the dissent, Judge Schall argued that the PTAB did not apply too strict a diligence standard in view of the prevailing case law. Judge Schall also argued that first period was sufficient to establish a lack of diligence, because there was no evidence of any activity by Dr. Nezhat or Mr. Heslin in preparing the '384 patent application, and no evidence of any conflicts that would have prevented work on the application during that period.